



FIRST QUARTER 2021

Awilco Drilling PLC is a North Sea Drilling Contractor owning and operating two refurbished and enhanced UK compliant 3rd generation mid-water semi-submersible drilling rigs. The Company is listed at the Oslo Stock Exchange under the ticker code AWDR.

Q1 Report – Highlights

- Awilco Drilling PLC reports contract revenue of USD 12.6 million (USD 8.6 million Q4), EBITDA of USD 3.7 million (USD 2.6 million loss in Q4) and a net profit of USD 1.3 million, (USD 152.9 million loss in Q4).
- Revenue efficiency was 87.5% during the quarter (54.1% in Q4)
- Operational uptime was 95.9% during the quarter (81.8% in Q4)
- Contract backlog at the end of Q1 was approximately USD 8.0 million (USD 15.0 million Q4)

Key financial figures:

In USD million, except EPS

USD million	Q1 2021	Q4 2020	Q3 2020	2020
Contract revenue	12.6	8.6	10.6	25.6
Operating expenses	5.2	6.0	5.9	21.5
EBITDA	3.7	(6.4)	1.7	(21.1)
Net profit/(loss)	1.3	(152.9)	(1.0)	(167.9)
EPS	0.02	(2.80)	(0.02)	(3.08)
Total assets	91.3	92.1	241.9	92.1
Total equity	84.4	83.1	236.0	83.1

Financial Results – Quarter 1, 2021

Comprehensive Income Statement

Awilco Drilling ('the Company') reports total comprehensive profit for the first quarter 2021 of USD 1.3 million.

Revenue earned in the first quarter was USD 12.6 million.

In the first quarter Awilco Drilling had rig operating expenses of USD 5.2 million. General and administration expenses were USD 3.8 million.

EBITDA for the first quarter was USD 3.7 million while the operating profit was USD 1.2 million.

Profit before tax was USD 1.3 million. The tax expense for the quarter was less than USD 0.1 million resulting in a net profit of USD 1.3 million. Earnings per share (EPS) for the first quarter were USD 0.02.

Statement on financial position

As of 31 March 2021, total assets amounted to USD 91.3 million. At the same date, Awilco Drilling had USD 13.2 million in cash and cash equivalents.

Operations and Contract Status

WilPhoenix

In Q1 2021 the WilPhoenix was in continued operation for Serica at the Rhum location where it remained until after the end of the quarter.

Revenue efficiency was 87.5% and contract utilisation was 100%.

At the end of March, WilPhoenix had a total remaining contract backlog of approximately USD 8.0 million.

WilHunter

During Q1 2021 the WilHunter was cold stacked in Invergordon.

Funding Requirements

The Company has a cash balance at the end of the first quarter of USD 13.2 million.

Additional funding may be required to support the ongoing arbitration process, SPS for the WilPhoenix and other working capital requirements.

Capital Requirements and Dividend

Dividend payments have been suspended in recent years due to the New Build programme but will resume when the Company again reaches an appropriate free cash flow situation.

Organisation

At the end of Q1 2021, Awilco Drilling's Aberdeen based employees numbered 21. Awilco Drilling Pte. Ltd. offshore personnel numbered 99. The Awilhelmsen Group continues to supply some support personnel via a management agreement.

Market Outlook

Contract awards for longer term UK P & A programs commencing in H2 2021/Q2 2022 are expected soon. Operators with P & A requirements from 2023 are now preparing their market approaches and are expected to engage with contractors within 2021.

Sustained higher oil prices, coupled with projects deferred from 2021 coming back into the market from early 2022, have resulted in high levels of tendering in the conventional UK E & P segment where contract awards are also expected soon.

Operators appear to now be accelerating rig procurement for programs commencing in 2022 in anticipation of a tighter supply/demand balance, with recent attrition reducing the supply of hot active floating rigs on the UKCS.

Contingent Liability

Awilco Drilling's subsidiary company, WilHunter (UK) Ltd, has been in regular contact with HMRC over the classification of an element of income booked in 2015. This company has maintained its position that the income was such that accumulated losses could be utilised against the income resulting in a reduction in its tax liability for the year. HMRC have disagreed with this position and issued a notice of amendment indicating additional tax and interest due of about GBP 7.7 million. WilHunter (UK) Ltd are of the opinion that HMRC are incorrect in their assessment of the facts and an appeal has been submitted and a tribunal hearing is expected to be held in June 2021. This is considered as a contingent liability only of the subsidiary and not the parent company. No provision has been made.

It is recognised that Keppel FELS has submitted claims in respect of amounts it considers recoverable due to termination provisions in the contracts for both Nordic Winter and Nordic Spring. Statement of claims have been received from Keppel FELS in the amount of Singapore Dollars 562.75 million (US\$ 424.9 million) for Awilco Rig 1 Pte. Ltd. and Singapore Dollars 356.18 million (US\$ 268.9 million) for Awilco Rig 2 Pte. Ltd. but these claims are strongly denied. Due to the non-recourse nature of the contracts, this is considered as a contingent liability only of the subsidiaries and not the parent company. No provision has been made. It is expected that the final arbitration outcome for Awilco Rig 1 Pte Ltd, including any appeal process, will be no earlier than Q4 2022. The arbitration process for Awilco Rig 2 Pte Ltd, was started six months later and also expected no earlier than Q4 2022.

Contingent Asset

Following the termination of Nordic Winter and Nordic Spring, the subsidiary companies, Awilco Rig 1 Pte. Ltd and Awilco Rig 2 Pte. Ltd. have entered arbitration with KFELS in respect of deposit and variation order payments. A total amount of USD 97.7 million is considered to be recoverable and is therefore disclosed as a contingent asset.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first quarter of 2021, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Subsequent Events

During April 2021, the Company signed a contract with Ithaca Oil and Gas Limited for the provision of WilPhoenix for a single exploration well at Fotla in Block 22/1b. The well will commence no earlier than 31st May 2021.

Aberdeen, 11 May 2021

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Company background

Awilco Drilling was incorporated in December 2009. Awilco Drilling owns two semi submersible drilling rigs; WilPhoenix built in 1982 and upgraded in 2011 and WilHunter built in 1983 and upgraded in 1999 and 2011.

Awilco Drilling was listed on the Oslo Stock Exchange (Oslo Axess) in June 2011 under ticker code AWDR and transferred to the Oslo Stock Exchange main list early September 2018. Awilco Drilling's headquarters are located in Aberdeen, UK.

The total number of outstanding shares of Awilco Drilling at the date of this report is 54,581,500 .

www.awilcodrilling.com

Forward Looking Statements

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are sometimes, but not always, identified by such phrases as “will”, “expects”, “is expected to”, “should”, “may”, “is likely to”, “intends” and “believes”. These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Awilco Drilling’s examination of historical operating trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing on favourable terms, changes of the spending plan of our customers, changes in the Company’s operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our report.

Condensed statement of comprehensive income

in USD thousands, except earnings per share

	Q1 2021 (unaudited)	Q1 2020 (unaudited)
Contract revenue	12.466	-
Reimbursables	155	-
Other revenue	19	3
	<u>12.640</u>	<u>3</u>
Rig operating expenses	5.162	4.857
Reimbursables	24	-
General and administrative expenses	3.762	2.575
Depreciation	2.485	2.518
	<u>11.433</u>	<u>9.950</u>
Operating profit/(loss)	<u>1.207</u>	<u>(9.947)</u>
Interest income	-	371
Interest expense	(16)	(7)
Other financial items	88	258
Net financial items	<u>72</u>	<u>622</u>
Profit before tax	1.279	(9.325)
Tax expense	(1)	(78)
Net profit/(loss)	<u>1.278</u>	<u>(9.403)</u>
Total comprehensive profit/(loss)	<u>1.278</u>	<u>(9.403)</u>
Attributable to shareholders of the parent	1.278	(9.403)
Basic and diluted earnings per share	0,02	(0,17)

Condensed statement of financial position

in USD thousands

	<u>31.03.2021</u>	<u>31.03.2020</u>
	(unaudited)	(unaudited)
Rigs, machinery and equipment	64,482	212,382
Right-of-use asset	1,016	1,337
Deferred tax asset	15	30
	<u>65,513</u>	<u>213,749</u>
Trade and other receivables	4,711	259
Prepayments and accrued revenue	4,873	1,109
Inventory	3,026	4,695
Cash and cash equivalents	13,195	27,718
	<u>25,805</u>	<u>33,781</u>
Total assets	<u><u>91,318</u></u>	<u><u>247,530</u></u>
Paid in capital	218,905	218,905
Retained earnings	(134,500)	22,677
	<u>84,405</u>	<u>241,582</u>
Trade and other creditors	1,139	2,459
Accruals and provisions	5,708	3,418
Current tax payable	66	71
	<u>6,913</u>	<u>5,948</u>
Total equity and liabilities	<u>91,318</u>	<u>247,530</u>

**Condensed statement of changes in equity for the period from
1st January 2020 to 31 March 2021**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2020	218,905	32,079	250,984
Total comprehensive loss to 31 December 2020	-	(167,857)	(167,857)
Balance as at 31 December 2020	218,905	(135,778)	83,127
Total comprehensive profit to 31 March 2021	-	1,278	1,278
Balance as at 31 March 2021	218,905	(134,500)	84,405

Condensed statement of cash flow for the period

	Q1 2021 (unaudited)	Q1 2020 (unaudited)
Cash flow from operating activities		
Profit/(Loss) before tax	1,279	(9,325)
Depreciation	2,485	2,518
Interest cost	16	(364)
Sharebased payment	(10)	(464)
Decrease in trade and other receivables	(231)	8,650
Decrease/(Increase) in stock	-	251
Decrease in prepayments and accrued revenue	(2,063)	(294)
Decrease/(increase) in trade and other payables	(2,762)	(1,880)
Interest paid	(16)	(7)
Interest received	-	371
Net cash flow from operating activities	(1,302)	(543)
Cash flow from investing activities		
Purchase of property, plant and equipment	(87)	(12,902)
Net cash flow from investing activities	(87)	(12,902)
Cash flow from financing activities		
Payment of principal portion of lease liabilities	(154)	(85)
Net cash flow from financing activities	(154)	(85)
Net increase/(decrease) in cash and cash equivalents	(1,543)	(13,531)
Cash and cash equivalents at beginning of the period	14,738	41,249
Cash and cash equivalents at the end of the period	13,195	27,718

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 “Interim financial reporting”.

Significant accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2020. This interim report should be read in conjunction with the audited 2020 financial statements, which include a full description of the Group’s significant accounting policies.

Notes

Note 1 - Rigs, machinery and equipment

in USD thousands

	Semi submersible drilling rigs/SPS	Assets Under Construction	Other fixtures and equipment	Total
Cost				
Opening balance 1 January 2021	307,960	111,280	2,016	421,256
Additions	87	-	-	87
Closing balance	308,047	111,280	2,016	421,343
Depreciation				
Opening balance 1 January 2021	(241,649)	(111,280)	(1,527)	(354,456)
Depreciation charge	(2,387)	-	(17)	(2,404)
Impairment	-	-	-	0
Accumulated depreciation per ending balance	(244,036)	(111,280)	(1,544)	(356,860)
Net carrying amount at end of period	64,011	0	472	64,483
Expected useful life	5-20 years		3-10 years	
Depreciation rates	5% - 20%		10% - 33%	
Depreciation method	Straight line		Straight line	
Residual value per rig is USD 15 million.				

Note 2 - Related party transactions

in USD thousands

Transactions with Awilhelmsen are specified as follows:

	YTD Q1 2021
Purchases	(182)
Payables	(182)

Note 3 - Segment information

The company owns the semi submersible rigs WilHunter and WilPhoenix. Currently, the company is only operating in the mid water segment in the UK sector of the North Sea. The potential market for the rigs will be the international drilling market. As the rigs are managed as one business segment, the Company has only one reportable segment.

Note 4 - Corporation taxes

Corporation tax provision is based on the tax laws and rates in the countries the rigs are operated and where the rigs are owned. During Q1 the average tax rates have been applied consistent with the prevailing average tax rate for the year.

Note 5 - Capital commitments

There were no outstanding Capital Commitments as at the end of Quarter 1.

Note 6 - Share capital

As of 31 March 2021 total outstanding shares in the Company was 54,581,500 with a nominal value per share of GBP 0.0065. The share capital and share premium reserve below are expressed in USD at the exchange rate at time of conversion from USD to GBP.

	Shares	Par value per share	Share capital	Share premium reserve
Share capital per 31 March 2021	54,581,500	£0.0065	524,699	218,380,597
Basic/diluted average number of shares, 1 January - 31 March	54,581,500			
Basic/diluted average number of shares, YTD	54,581,500			

Ranking	Shares	Ownership
AWILHELMESEN OFFSHORE AS	20,240,814	37.1%
PERSHING LLC	10,874,509	19.9%
AKASTOR AS	3,049,673	5.6%
Euroclear Bank S.A./N.V.	2,140,309	3.9%
Citibank, N.A.	2,029,938	3.7%
Skandinaviska Enskilda Banken AB	2,000,000	3.7%
State Street Bank and Trust Comp	1,427,906	2.6%
Northern Trust Global Services SE	849,319	1.6%
Avanza Bank AB	803,171	1.5%
Bank of America, N.A.	768,678	1.4%
Nordnet Bank AB	575,746	1.1%
TVENGE	500,000	0.9%
CLEARSTREAM BANKING S.A.	477,142	0.9%
Merrill Lynch Prof. Clearing Corp.	453,091	0.8%
Citibank, N.A.	383,294	0.7%
State Street Bank and Trust Comp	288,249	0.5%
Danske Bank A/S	275,906	0.5%
EIDE	245,109	0.4%
DZ PRIVATBANK S.A.	209,272	0.4%
Swedbank AS	191,891	0.4%
Other	6,797,483	12.5%
	<u>54,581,500</u>	<u>100.00%</u>

Note 7 - Subsequent events

During April 2021, the Company signed a contract with Ithaca Oil and Gas Limited for the provision of WilPhoenix for a single exploration well at Fotla in Block 22/1b. The well will commence no earlier than 31st May 2021.